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## Egypt

### Grain and Feed

### Annual

### 2005

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**Report Highlights:**

Egypt's total wheat imports in MY 2004/05 are expected to increase by nearly 9 percent over MY 2003/04 and reach 7.6 MMT. Egypt's total corn imports for MY 2004/05 are expected to increase by approximately 5 percent. The U.S. market share for corn is estimated at 81 percent. Egyptian rice exports for CY 2004 are estimated at 770,000 MT. However, it is expected to decrease to 550,000 MT in CY 2005.

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Includes PSD Changes: Yes  
Includes Trade Matrix: Yes  
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## Wheat PSD Table

Country:

Egypt

Commodity:

Wheat

Market Year Begin	2003		2004		2005	
	Old	New 07/2003	Old	New 07/2004	Old	New 07/2005
Area Harvested	1038	1029	1050	1092	0	1120
Beginning Stocks	1316	1650	1806	1900	0	2060
Production	6500	6443	6550	6630	0	6800
TOTAL Mkt. Yr. Imports	7300	6873	7500	7500	0	7600
Jul-Jun Imports	7300	6873	7500	7500	0	7600
Jul-Jun Import U.S.	3985	3624	3000	3000	0	5000
<b>TOTAL SUPPLY</b>	15116	<b>14966</b>	15856	<b>16030</b>	0	<b>16460</b>
TOTAL Mkt. Yr. Exports	10	0	0	0	0	0
Jul-Jun Exports	10	0	0	0	0	0
Feed Dom. Consumption	50	100	50	100	0	100
TOTAL Dom. Consumption	13300	13066	13800	13970	0	14395
Ending Stocks	1806	1900	2056	2060	0	2065
<b>TOTAL DISTRIBUTION</b>	15116	<b>14966</b>	15856	<b>16030</b>	0	<b>16460</b>

## Production

Wheat is planted in October/November and harvested in April/May. The total wheat area for MY 2004/2005 is estimated at 1,092,000 HA, 6 percent less than the 2003/2004 area. For MY 2005/2006, Ministry of Agriculture experts forecast that planted area will increase 2.6 percent above 2004/05 level. Total production for MY 2004/2005 is expected to be 6,630,000 MT compared to 6,443,000 MT for 2003/2004. This increase is expected due to an increase in areas planted with high-yielding varieties.

The average yield for the MY 2003/2004 crop is estimated at 6.2 MT/HA. According to the Ministry of Agriculture, all wheat areas are cultivated with new varieties (Gemmiza 7, Gemmiza 9, Sakha 93 and Giza 168), which have potential to yield 7.6 MT/HA. The government has increased the procurement price to LE 1,100/ MT (\$ 188 per MT) for the 2004/05 wheat crop from LE 966/ MT (\$155 per MT) in 2003/04. This price is higher than the current Ukrainian wheat prices (LE 960/MT). The total quantity of locally produced wheat sold to the Ministry of Supply in MY 2003/2004 was 2,150,000 MT. For the 2004/05 crop, the General Authority for Supply Commodities (GASC) plans to purchase 3 million MT. However, it is expected that the GASC will not exceed the level of procurement made last year.

## Consumption

Egypt continues to have one of the highest wheat per capita consumption levels in the world. Total consumption of wheat in MY 2004/2005 is estimated at 13.9 MMT including nearly 7.5 MMT of imported wheat. Since the beginning of MY 2004/05 (July 2004) through the end of February, Ministry of Supply (GASC) purchased 3.65 MMT of imported wheat and 2 MMT of locally produced wheat in addition to 500,000 MT of locally produced white corn to produce 82 percent extraction flour used for the subsidized baladi bread. The subsidy on baladi bread cost the government close to LE 3.8 billion last year. During the same period, private sector companies purchased 1,661,559 MT of imported wheat to produce 72 percent extraction flour used in the production of high quality flat bread and European type bread, pastries and pasta. Most of the domestic wheat crop is sold directly to consumers or retained by farmers for on-farm consumption.

Egyptian per capita consumption of wheat in MY 2004/2005 is expected to reach 186 Kg. A further increase is expected for 2005/06. There are two reasons for increasing wheat consumption. First, the current foreign exchange availability has led private and public sector flour mills to import more wheat. This, coupled with the increase in the value of the Egyptian pound against the U.S. dollar (LE 5.85/\$ 1 down from LE 6.25/\$1 three months earlier), is encouraging private sector mills to cut back their operations. This led to decrease in wheat flour prices from LE 1,450 per Mt to LE 1,350 per Mt. Most private sector mills are currently operating at 65-75 percent capacity. There are a few operating at full capacity. This is in stark contrast to a capacity rate of 40-60 percent in MY 2003/04. The difference is that importers have easy access to hard currency through commercial banks. Second, the prices for bread substitutes such as rice and potatoes increased which reflected positively on wheat products consumption such as pasta.

The Egyptian milling industry has more than adequate capacity to cover the country's need for 72 percent extraction flour. While total consumption of 72 percent extracted flour is estimated at 1.8 MMT or 2.5 MMT of wheat, the total milling capacity is currently estimated at 2.7MMT of 72 percent flour, or 3.76/MMT of wheat. The public sector milling industry consists of 126 mills (mostly small and medium size) and has a total capacity of approximately 7 MMT per year. There are seven public sector companies that operate these mills, and all are affiliated with one holding company (Food Industries Holding Company). Of the 126 public sector mills, 109 mills are currently used for the production of 82 percent flour and 7 mills are used to produce 72 percent flour with total capacity of 6,230 MT per day (1.86 MMT annually). Shares of some of these companies have been sold to private investors during the past few years. Although the majority of shares are held by the private sector, the holding company maintains complete control of these mills. Given that wheat is a strategic commodity in Egypt, the government is expected to retain control of most of the milling industry (particularly for the subsidized baladi bread) for the foreseeable future. There are nearly 36 private sector commercial mills, with total capacity of 9,000 MT per day (2.8 MMT annually). These are permitted to produce 72 percent flour only.

## Trade

Egypt's total wheat imports are expected to increase during this marketing year (2004/05).

The United States continues to be the largest wheat supplier to the Egyptian market. From the beginning of MY 2004/05 through the end of February 2005, U.S. exports accounted for 26 percent (1,417,460 MT) of Egyptian wheat imports and the remainder was imported from Russia, Argentina, France, and Australia. It is expected that U.S. wheat exports to the Egyptian market will continue to remain strong in MY 2005/06. In its last tender, dated March 5, 2005, the Ministry of Supply purchased 60,000 MT of wheat from France at a reported price of \$129.95/ MT FOB, and 60,000 MT from Australia at a reported price of \$145.20/ MT FOB for deliveries through the last half of April 2005. In January 2005, the private sector purchased 110,000 MT of wheat from Russia at a reported price of \$155/ MT C&F, 10,000 MT from Argentina at a reported price \$157/ MT C&F and 5,000 MT from Hungary at a reported price \$163/ MT C&F. The current official \$/LE exchange rate is 5.82.

For MY 2005/2006, Egyptian wheat imports are expected to reach approximately 7.6 MMT, with GASC projected to import nearly 5.8 MMT, and the rest to be imported by the private sector. This increase in GASC imports is expected because of the increased amount of wheat imported for the production of 72 percent flour. Imports of wheat flour have become insignificant and are now limited to international donations such as the 20,000 MT donated by France during this marketing year. Customs duties for wheat and corn are one percent plus 2 percent other port charges.

### Import Trade Matrix

<b>Country:</b>	<b>Egypt</b>	Units:	1,000 MT
<b>Commodity:</b>	<b>Wheat</b>		
<b>Time period:</b>			
<b>Imports for</b>	<b>MY2002/03</b>	<b>MY2003/04</b>	
U.S.	1,336	U.S.	3,624
Others		Others	
France	2,280	Australia	2,180
Russia	1,339	France	336
Australia	360	Russia	147
Ukraine	62	Germany	72
Poland	51	Sweden	58
Pakistan	50	Brazil	48
Yugoslavia	38	Syria	236
India	28	Spain	4
Romania	15		
Kazakhstan	12		
<b>Total for Others</b>	4235		3081
<b>Others not listed</b>	60		168
<b>Grand Total</b>	5631		6873

## Stocks

The Ministry of Supply and Domestic Trade has a policy of maintaining a five month supply of strategic stocks. However, due to limited storage capacity that constrains the government's target, the strategic stocks are now redefined to include wheat import purchases in the pipeline, usually in the range of three months of annual consumption. Currently, total covered storage capacity for wheat is estimated at one million metric tons, including about 350,000 MT in silos at three different ports, 250,000 MT in inland silos and 400,000 MT in open storage mostly in metropolitan areas. In addition to government storage facilities, several private sector traders and mills currently have their own receiving and storage facilities, estimated at 500,000 MT. In order to increase the storage capacity, the Ministry of Supply is currently promoting a project to encourage private building of 50 inland silos with 30,000 MT each in different locations throughout the country. The Ministry of Supply will commit to use 60 percent of the capacity (90,000 MT) of each silos capacity at the prevailing storage fee for 5 years.

## Factors Affecting U.S. Trade

Both government and private sector buyers prefer U.S. wheat as they trust the quality control system in the United States. However, due to the current market situation namely higher prices, Egyptian milling companies are now willing to accept lower quality wheat. Private sector companies are now sourcing more wheat from non-U.S. origins such as Russia, Ukraine, and Hungary.

U.S. Wheat Associates continues to provide trade services and quality seminars to Egyptian millers, wheat buyers and traders. U.S. Wheat Associate's quality seal program is widely used to promote products containing U.S. wheat. The USDA GSM-102 Program (three-year credit guarantee program) is available for both public and private sector importers of U.S. agricultural commodities, but importers no longer use the program at present citing the potential for high exchange rate risk in the Egyptian market. However, GASC has recently expressed interest in use of the program to import wheat from the United States.

## Corn PSD Table

Country:

Egypt

Commodity:

Corn

Market Year Begin	2003		2004		2005	
	Old	New	Old	New	Old	New
		10/2003		10/2004		10/2005
Area Harvested	720	672	730	680	0	700
Beginning Stocks	195	100	188	100	0	100
Production	6150	5740	6200	5780	0	5950
TOTAL Mkt. Yr. Imports	3743	<b>3906</b>	4300	4100	0	4200
Oct-Sep Imports	3743	<b>3148</b>	4300	4150	0	4200
Oct-Sep Import U.S.	3142	2900	3200	3000	0	3200
<b>TOTAL SUPPLY</b>	10088	<b>9746</b>	10688	<b>9980</b>	0	<b>10250</b>
TOTAL Mkt. Yr. Exports	0	0	0	0	0	0
Oct-Sep Exports	0	0	0	0	0	0
Feed Dom. Consumption	8100	8120	8600	8350	0	8400
TOTAL Dom. Consumption	9900	9646	10500	9880	0	10150
Ending Stocks	188	100	188	100	0	100
<b>TOTAL DISTRIBUTION</b>	10088	<b>9746</b>	10688	<b>9980</b>	0	<b>10250</b>

## Production

The total corn area for the MY 2004/2005 is estimated at 680,000 HA, of which 630,000 HA are white corn. The remainder is yellow corn. Area harvested is one percent above 2003/2004 levels. The small increase in corn acreage is attributed to increasing demand in corn silage for livestock feed production. A further increase in corn acreage is expected in MY 2005/2006. This expected growth is mostly attributed to the increased price for imported yellow corn. The same factor is expected to lead farmers to switch from rice to corn. In MY 2004/2005, total corn production is estimated at about 5.7 MMT. For MY 2005/2006, total corn production is expected to increase and reach 5.9 MMT.

## Consumption &amp; Utilization

Egyptian total corn consumption in MY 2004/05 is estimated at 9.88 MMT, or approximately one percent over the MY 2003/04 level. The majority of the local corn crop is utilized for animal feed (mostly consumed on farm) and about 1.5 MMT are used for food purposes (either milled or consumed fresh). Large and commercial end-users and feed mills rely on imported yellow corn to meet their requirements.

There has been a strong demand for feed corn in MY 2004/05 and this is expected to continue during MY 2005/06. The increase in Egypt's corn consumption was due to the significant increase in corn consumption by livestock as well as poultry producers. Also, there has been a significant quantity of green corn utilized in the production of silage for both dairy and beef animal feed. In addition, there has been an increased utilization of corn in the production of the

20:80 corn-wheat composite flour for baladi bread. In MY 2004/05, about 500,000 MT of locally produced white corn is expected to be delivered to the Ministry of Supply for the production of subsidized baladi bread. For MY 2005/06, total white corn delivery is expected to reach 600,000 MT.

There is small but growing demand for food products containing corn (snack food). This, in addition to the increase in demand for corn oil, has contributed to the increased demand for corn. Egypt imports nearly 400,000 MT of yellow corn annually for the production of starch and sweeteners. Approximately 2.3 MMT of imported corn were used for poultry, 1.2 MMT were used for ruminants and 400,000 MT were used for the starch industry in MY 2003/04. This trend is expected to continue in MY 2005/06. The poultry sector exhibited a slight decline in corn usage in MY 2004/05, however, corn use has increased dramatically in feed for modern dairy farms and beef and buffalo fattening operations.

## Trade

Egypt's total corn imports for MY 2004/05 are expected to increase by approximately five percent. The U.S. market share of Egyptian corn imports in MY 2003/04 is estimated at 81 percent; Argentina supplied the remainder. The large U.S. market share is mainly due to the availability of high quality American corn at competitive prices. This trend is expected to continue in MY 2004/05 and 2005/2006. From the beginning of MY 2004/05 (October 2004) through the end of January, total Egyptian corn imports are estimated at 1.6 MMT of which 1,458,250 MT came from the United States; 71,000 from Ukraine; 32,400 MT from Romania; 23,000 from Brazil and 10,300 MT from Argentina. For MY 2005/06, a slight increase in corn imports is expected. Most industry analysts expect competition from Ukraine and other suppliers of yellow corn will continue to be modest this year; the price gap between U.S. and other suppliers is expected to be marginal.



**Import Trade  
Matrix**

<b>Country:</b>	<b>Egypt</b>	<b>Units:</b>	1,000 MT
<b>Commodity:</b>	<b>Corn</b>		
<b>Time period:</b>			
<b>Imports for</b>	<b>MY 2002/03</b>	<b>MY 2003/04</b>	
U.S.	2500	U.S.	3148
Others		Others	
Argentina	824	Argentina	758
Brazil	594		
Ukraine	85		
China	52		
China	34		
South Africa	16		
Urgway	12		
Germany	6		
Bulgaria	3		
Russia	3		
<b>Total for Others</b>	1629		758
<b>Others not listed</b>	21		
<b>Grand Total</b>	4150		3906

## Rice PSD Table

Country:

Egypt

Commodity:

Rice,  
Milled

Market Year Begin	2003		2004		2005	
	Old	New 01/2003	Old	New 01/2004	Old	New 01/2005
Area Harvested	615	630	647	635	0	640
Beginning Stocks	342	765	720	456	0	200
Milled Production	3900	3900	4225	3930	0	4000
Rough Production	6000	6000	6500	6047	0	6150
Milling Rate(.9999)	6500	6500	6500	6500	0	6500
TOTAL Imports	0	0	0	0	0	0
Jan-Dec Imports	0	0	0	0	0	0
Jan-Dec Import U.S.	0	0	0	0	0	0
<b>TOTAL SUPPLY</b>	4242	<b>4665</b>	4945	<b>4386</b>	0	<b>4200</b>
TOTAL Exports	550	579	700	770	0	550
Jan-Dec Exports	550	579	700	770	0	550
TOTAL Dom. Consumption	3300	3630	3325	3416	0	3250
Ending Stocks	392	456	920	200	0	400
<b>TOTAL DISTRIBUTION</b>	4242	<b>4665</b>	4945	<b>4386</b>	0	<b>4200</b>

## Production

Rice is a major summer crop in Egypt, occupying 10 percent of Egypt's total crop area. All of the rice crop is irrigated. Rice requires a special irrigation regime and its cultivation is largely restricted to the northern part of the Delta. It is often planted on reclaimed land where the soil is fairly saline and has varying degrees of productivity. A limited amount of rice is also grown in the middle Delta and in Upper Egypt. With irrigation water provided free of charge and a much higher profitability of rice cultivation compared to other traditional summer crops (i.e. corn and cotton), farmers normally exceed the area targeted by the government for rice cultivation, despite the prospect of fines of LE 600/ feddan for those who violate their targeted areas. The government rarely imposes this fine on farmers.

The total rice area for the CY 2004 is estimated at 635,000 HA, nearly one percent higher than CY 2003. However, following a sharp decrease in cotton prices in MY 2004/05, a further increase in rice acreage is expected for CY 2005. Some farmers are expected to replace cotton with rice production. Total rough rice production in CY 2004 is estimated at about 6 MMT. For CY 2005, total rough rice production is expected to increase to 6.15 MMT.

The medium grain "Japonica" variety comprises approximately 85 percent of the rice crop and is preferred by Egyptian consumers to the higher-yielding, long grain "Phillipini" variety. The government's policy is aimed at producing new varieties with higher yields, a shorter period of maturity and more resistance to insects and diseases in order to save 3 billion cubic meters of irrigation water

annually for its ambitious land reclamation projects in the south of the Nile valley (Toushka). The Rice Institute of the Ministry of Agriculture has developed several new rice varieties with an average yield of 14 MT/HA, or about 40 percent higher than the average yield of the traditional varieties. The Ministry of Agriculture estimates that the new varieties are being used in close to 90 percent of the total rice area during CY 2004. The government's objective is to have the entire rice area planted with high yielding, short period of maturity varieties by the end CY 2005.

## Trade

Egypt is a net rice exporter. Small quantities of high quality name-brand rice are imported by up-scale supermarkets. It imports a very small quantity of high quality name-brand packaged rice to sell in up-scale supermarkets. Rice exports are estimated at 770,000 MT during CY 2004. However, for CY 2005, Egyptian rice exports are expected to decrease to 550,000 MT. This expected decrease in rice exports is mainly due to the recent decrease in the exchange rate between the Egyptian pound and the U.S. dollar of about 9 percent. As a result, Egyptian rice export prices are becoming less competitive in the international market. The current average export price for medium and short grain is \$350 and \$333/MT/FOB, respectively. This compares to \$300 and \$283/MT/FOB for medium and short grain, respectively, during the MY 2003/2004 season.

### Export Trade Matrix

<b>Country:</b>	<b>Egypt</b>	<b>Units:</b>	<b>000MT</b>
<b>Commodity:</b>	<b>Rice,</b>		
	<b>Milled</b>		
<b>Time period:</b>			
<b>Exports for</b>	<b>2003</b>		<b>2004</b>
U.S.		U.S.	
Others		Others	
Turkey	130,915	Syria	188,266
Syria	124,157	Romania	64,098
Libya	73,791	Turkey	59,175
Romania	34,201	Jordan	44,281
Jordan	33,738	Sudan	43,890
Sudan	30,352	Singapore	42,983
Lebanon	15,853	Lebanon	26,984
Taiwan	7,049	Saudi Arabia	19,205
U.K	5,021	Taiwan	18,436
Bulgaria	4,724	U.K	6,544
<b>Total for Others</b>	459801		513862
<b>Others not listed</b>	118,841		256,426
<b>Grand Total</b>	578642		770288

## Stocks

Stocks for CY 2004 are down as a result of a dramatic increase in exports. However, stocks for CY 2005 are expected to increase given the anticipated drop in exports a direct result of an increase in the value of the Egyptian pound against the dollar. It is estimated that current stocks stand at 200,000 metric tons.